APPENDIX 3

Proforma statement of Financial position as at 31 December 2005

BALANCE SHEET - ECONOMIC ENTITY	SAFE EFFECT TECHNOLOGY LIMITED			
	Financial Years Ending 30 June			
	Actual Balance Sheet to December 2005	Proforma 6 months to Dec 2005	2006 F'cast	2007 F'cast
	('000)	('000)	('000)	('000)
CURRENT ASSETS				
Cash assets	162	3,268	1,165	4,104
Receivables	450	454	926	2,983
Inventories	756	756	904	1,652
Total current assets	1,368	4,478	2,996	8,640
NON-CURRENT ASSETS				
Property, plant & equipment	153	153	97	11
Receivables	40	40		
Intangibles	-	484	484	484
Investment in SETI	-	2,500	2,500	2,500
Total non-current assets	193	3,177	3,081	2,995
TOTAL ASSETS	1,561	7,655	6,077	11,634
CURRENT LIABILITIES				
Payables	3,470	2,440	2,529	3,246
Interest bearing liabilities	37	513	-	-
Provision	65	64	132	132
Total current liabilities	3,572	3,017	2,661	3,378
NON-CURRENT LIABILITIES				
Loans	11	11	-	-
Interest bearing liabilities	5,610	951	951	951
Total non-current liabilities	5,621	962	951	951
TOTAL LIABILITIES	9,193	3,979	3,612	4,329
	-	-		-
NET ASSETS	(7,612)	3,676	2,465	7,305
EQUITY				
Contributed equity	21,684	32,972	32,976	32,976
Reserves	200	200	200	200
Accumulated losses	(28,343)	(28,343)	(28,343)	(30,710)
Current year gains/losses	(1,153)	(1,153)	(2,368)	4,839
TOTAL EQUITY	(7,612)	3,676	2,465	7,305

APPENDIX 3 CONTINUED

Notes to statement of financial position as at 31 December 2005

Note 1
Receivables

a) - Trade Receivables

$,000's

Name	30 Days	60 Days	90 days	Over 90 days	TOTAL
ADiT Engineering	24	43	15		82
DBT America	20	23	16	67	126
Breveni Australia P/L	6				6
Others	236				236
TOTAL	286	66	31	67	450

i). All amounts due from DBT were collected in January. The problem was in invoicing.
ii) GST receivable is offset against GST payable

Note 2
Inventories

Inventories consist of Australia $343k and Thailand $413k. In Australia there are 40 completed brakes sets with a value of $140k and parts in various stages of completion $71k.

In Thailand where the brakes are assembled there were 40 completed sets amounting to $140k; partially completed sets $36k; WIP $48k and components and raw materials $189k.

Note 3
Payables

Consolidated Payables consist of:

$,000's

Narrative	Trade Creditor	Accrual	Provision	Total
Safe Effect Technologies Ltd	856	1,666		2,512
Safe Effect Pty Ltd	354	329	65	748
Safe Effect Thailand	162	20		182
TOTAL	1,372	2,015	65	3,452

SafeEffect TECHNOLOGIES

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APPENDIX 3 CONTINUED

i) Safe Effect Pty Ltd accruals include \$200k relating to PAYG which will be offset against the GST Debtor of \$207k

ii) Safe Effect Technologies Ltd includes \$325k, relating to loans which will be converted to shares at 10 cents per share.

Note 4
Net Equity

Subsequent to 31 December 2005, Claymore who holds a Convertible Note drawn down to\$5,606,338 as at 31 December 2005, increased the Convertible Note to \$9,000,000 by way of cash paid of \$3,080,608 into the Claymore trust account, conversion of \$207,046 of debt and capitalising of interest on the Convertible Note of \$106,008 incurred after 31 December 2005. In addition the term of the Note has been varied to delay the option for repayment until 1 July 2007. On 1 March 2006, Claymore (on behalf of investors under the Convertible Note) agreed to convert \$6,300,000 into shares at \$0.05 per share and 126,000,000 shares were issued to Claymore on trust for the investors in accordance with the terms of the Convertible Note. On 31 March 2006, Claymore (on behalf of investors under the Convertible Note) converted an additional \$1,752,680 into shares at \$0.05 per share and 35,053,600 shares were issued to Claymore on trust for the investors. The funds relating to Convertible Note are held in the Claymore trust account on behalf of SETL and are drawn fortnightly as required.

On 1 March 2006 Claymore was issued with 1,499,250 shares at \$0.0667 and 12,693,620 shares at \$0.05 in satisfaction of professional fees of \$734,681 owing to Claymore as at 31 December 2005.

On 1 March 2006 all conditions under the Bidders Statement were met and the Company issued and allotted 46,447,119 shares to accepting SETI shareholders pursuant to the SETI Takeover. For the purpose of valuing SETI's intellectual property SETL shares have been valued at \$0.05 per share. This transaction, on a consolidated basis, values the intellectual property in SETI at \$2,983,579 which will be brought to account as intangible property.

The Company is now proceeding under section 661A of the Corporations Act to compulsorily acquire all outstanding SETI shares through the issue of a further 3,552,881 Shares to the SETI shareholders who did not accept the Company's takeover offer. In conjunction with the SETI Takeover, on 1 March 2006, the Company applied to ASX and was approved for re-quotation of the Company's securities on lodgement of the Company's half yearly reports for the period ended 31 December 2005.

Future cash flows support the carrying value of the investment in SETI. It is anticipated that there will continue to be losses incurred up to the current year ending 30 June 2006. However the following year ending 30 June 2007 shows an increase in net equity of \$4.8 million largely driven by improved sales performance and profitability (see below).

Note 5
Net Current Assets

The Proforma Balance Sheet shows net current assets of $1.5 million and the forecast Balance Sheets show net current assets for the year ending 30 June 2006 and 30 June 2007 of $0.3 million and $5.3 million. Based on management's current estimates of sales revenue potential, there is more than enough working capital to meet all the Company's needs up until the year ending 30 June 2007.

General

The Proforma Statement of Financial Position has been prepared from the 'Half Year Review' audit of the consolidated accounts of Safe Effect Technologies Limited as adjusted for the following items as adjusted for the transactions noted in note 4 – Net Equity.

APPENDIX 4

Use of funds raised from the drawdown of the Convertible Note

The $3.2 million raised from the drawdown under the Convertible Note since 31 December 2005 has been used and will be used to pay existing creditors and for working capital, until the Company becomes cash flow positive. It is anticipated there will be no capital expenditure for at least the next 12 months.

In the period before reaching profitability, the Cash Flow forecast (Appendix 5) shows a negative net outflow of funds. During the period to the beginning of the September quarter 2006 the funds raised from the Convertible Note will be used to pay:

1. Salaries and Wages - $537k
2. Inventories - $1,388k
3. Thailand Subsidiary expenses - $ 287k
4. Other loans and creditors - $1,056k

The Company is expected to start being profitable by the month August 2006 and cash inflows should result in the Company becoming self sustaining thereafter.